

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke       )  
Energy Ohio, Inc., for Approval of a       ) Case No. 11-5905-EL-RDR  
Distribution Decoupling Rider.       )

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**ADDITIONAL COMMENTS  
BY  
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

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**I. INTRODUCTION**

On December 8, 2011, Duke Energy Ohio, Inc. (“Duke” or “the Utility”) filed an Application with the Public Utilities Commission of Ohio (“PUCO” or “the Commission”) for approval of a three-year pilot program for a Distribution Decoupling Rider (“Rider DDR”). According to Duke, Rider DDR “adjusts distribution rates between distribution base rate cases to remove the link between sales and distribution revenues.”<sup>1</sup>

As background, decoupling provides utilities with more certainty in the collection of their revenue requirement. While ratemaking is not intended to provide utilities with a guarantee<sup>2</sup> to earn a given rate of return, decoupling can (if properly instituted) provide a benefit for utilities and customers by not discouraging the utility from engaging in energy efficiency programs that can save money for customers. Decoupling generally can provide this benefit by allowing the utility to collect its revenue requirement, no more and no less, regardless of fluctuations in its sales.

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<sup>1</sup> *In the Matter of Duke Energy Ohio, Inc. for Approval of a Distribution Decoupling Rider*, Case No. 11-5905-EL-RDR, Testimony of James E. Ziolkowski (attached to the Application) at 3 (December 8, 2011).

<sup>2</sup> *Bluefield Water Works & Improvement Company v. Pub. Service Comm. of the State of West Virginia*, Case No. 262 U.S. 679; 43 S. Ct. 675, 692; 1923 U.S. LEXIS 2676

Duke's filing was made as a result of a Stipulation and Recommendation among Duke, Staff, and a significant cross-section of stakeholders including the Office of the Ohio Consumers' Counsel ("OCC"), in Duke's recent Electric Security Plan ("ESP"). On May 30, 2012, the PUCO issued a Finding and Order in this case which directed the Utility to accrue the positive or negative difference in a balancing account for the DDR.<sup>3</sup> As stated, the DDR was intended to remove Duke's incentive to sell energy.<sup>4</sup> Duke was also directed to account for the prior year actual revenues collected and to update the balance on an annual basis by March 1 of each year.<sup>5</sup> The PUCO Staff and other intervenors have until May 1 of each year to submit comments on that filing.<sup>6</sup> On February 26, 2013, Duke filed an Application to charge customers for the 2012 under-collection in the decoupling balancing account.<sup>7</sup>

## **II. COMMENTS**

The PUCO's May 30, 2012 Finding and Order<sup>8</sup> requires Duke Energy to implement the decoupling mechanism contained in Rider DDR that adjusts rates between rate cases to remove Duke's incentive to sell energy. Rider DDR does not apply to customers served under rates for service at secondary distribution voltage, service at primary distribution voltage, and service at transmission voltage.<sup>9</sup> As proposed, Rider DDR would be established as a three-year pilot, to run from January 1, 2012, through December 31, 2014.<sup>10</sup> During the term of the pilot, Rider

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<sup>3</sup> Id.

<sup>4</sup> Id.

<sup>5</sup> Id.

<sup>6</sup> Id.

<sup>7</sup> Id.

<sup>8</sup> Finding and Order at 4-5 (May 30, 2012).

<sup>9</sup> Id.

<sup>10</sup> Id.

DRR rates will be determined by comparing authorized distribution revenues to revenues actually collected on a monthly basis for each rate class. The balance in the DRR was initially set at \$0.00, and Duke is to make annual filings showing the over-collection or under-collection amounts for each of the three years. Rate increases resulting from the Rider are capped at 3% of the total annual distribution revenues of a customer class.

In its Application, Duke claims that it under-collected usage-based residential distribution rate revenues for calendar year 2012 by approximately \$5.4 million.<sup>11</sup> The proposed DDR rates are \$0.000720 per kWh for all residential rates, \$0.000662 per kWh for Rate EH, and (0.002222) per kWh for Rate DM.<sup>12</sup> Rider DDR adds \$0.72 per month for an average residential customer using 1,000 kWh a month.

OCC's review of Duke's Application indicates that the Utility calculated the DDR as set forth in its original Application as modified by the Commission's Finding and Order in Case No. 11-5905-EL-RDR. As part of the DDR calculation, Duke used a sales forecast covering the period from July 2013 through June 2014 kWh.<sup>13</sup> However, collection under the DDR should reflect actual revenues. Thus, OCC recommends that the DRR be trued-up annually to reconcile any difference between the actual and the forecast kWh sales used in this year's calculation of the Rider.

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<sup>11</sup> See Application page 1 of Attachments (February 26, 2013).

<sup>12</sup> Id at 2.

<sup>13</sup> Id. at page 5 of Attachments.

Respectfully submitted,

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### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of these Additional Comments was served on the persons stated below via electronic transmission, this 1<sup>st</sup> day of May 2013.

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Summary: Comments Additional Comments by the Office of the Ohio Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of Serio, Joseph P. Mr.